



February 15, 2006

ENGROSSED

HOUSE BILL No. 1124

DIGEST OF HB 1124 (Updated February 14, 2006 9:39 am - DI 113)

Citations Affected: IC 6-1.1.

Synopsis: Rainy day fund loans to political subdivisions. Authorizes a loan from the state rainy day fund to a taxing unit whose property tax revenue collections are affected by the bankruptcy of a taxpayer that manufactures microelectronics as part of its business. Requires the state board of finance to determine the terms of the loan subject to certain restrictions. Specifies the permitted use of the loan proceeds and the manner of repayment of the loan. Limits the total amount of the loans to \$13,000,000.

Effective: Upon passage.

Buck, Smith J, Turner, McClain

(SENATE SPONSORS — DROZDA, HERSHMAN)

January 5, 2006, read first time and referred to Committee on Local Government.
January 19, 2006, reported — Do Pass. Referred to Committee on Ways and Means pursuant to House Rule 127.
January 26, 2006, amended, reported — Do Pass.
January 30, 2006, read second time, ordered engrossed.
January 31, 2006, engrossed.
February 1, 2006, read third time, passed. Yeas 97, nays 1.
SENATE ACTION
February 6, 2006, read first time and referred to Committee on Tax and Fiscal Policy.
February 14, 2006, amended, reported favorably — Do Pass.

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EH 1124—LS 6757/DI 52+



February 15, 2006

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1124

A BILL FOR AN ACT to amend the Indiana Code concerning
taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-18.5-21 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE UPON PASSAGE]: **Sec. 21. A civil taxing unit may**
4 **determine that the ad valorem property tax levy limits imposed by**
5 **section 3 of this chapter do not apply to all or part of the ad**
6 **valorem property taxes imposed to repay a loan under**
7 **IC 6-1.1-21.9.**

8 SECTION 2. IC 6-1.1-19-13 IS ADDED TO THE INDIANA CODE
9 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
10 UPON PASSAGE]: **Sec. 13. A school corporation may determine**
11 **that the ad valorem property tax levy limits imposed by section 1.5**
12 **of this chapter do not apply to all or part of the ad valorem**
13 **property taxes imposed to repay a loan under IC 6-1.1-21.9.**

14 SECTION 3. IC 6-1.1-21.9 IS ADDED TO THE INDIANA CODE
15 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
16 UPON PASSAGE]:

17 **Chapter 21.9. Rainy Day Fund Loans for Qualified Taxing Units**

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1 **Sec. 1. (a) As used in this chapter, "board" refers to the state**
 2 **board of finance.**

3 **(b) As used in this chapter, "qualified taxing unit" means a**
 4 **taxing unit:**

5 **(1) in which a qualifying taxpayer has tangible property**
 6 **subject to taxation; and**

7 **(2) that has experienced or is expected to experience a**
 8 **significant revenue shortfall as a result of a default or an**
 9 **expected default described in subsection (c)(3).**

10 **(c) As used in this chapter, "qualifying taxpayer" means a**
 11 **taxpayer that:**

12 **(1) manufactures microelectronics as part of its business;**

13 **(2) has filed a petition to reorganize under the federal**
 14 **bankruptcy code; and**

15 **(3) has defaulted, or has notified the county fiscal body of the**
 16 **county in which the taxpayer is subject to property taxes that**
 17 **the taxpayer will default, on all or part of one (1) or more of**
 18 **its property tax payments.**

19 **Sec. 2. A qualified taxing unit may apply to the board for one (1)**
 20 **or more loans from the counter-cyclical revenue and economic**
 21 **stabilization fund.**

22 **Sec. 3. (a) The board, after review by the budget committee,**
 23 **shall determine the terms of a loan made under this chapter,**
 24 **subject to the following:**

25 **(1) The board may not charge interest on the loan.**

26 **(2) The loan must be repaid not later than ten (10) years after**
 27 **the date on which the loan was made.**

28 **(3) The terms of the loan must allow for prepayment of the**
 29 **loan without penalty.**

30 **(4) The maximum amount of the loan that a qualifying taxing**
 31 **unit may receive with respect to a default described in section**
 32 **1(c)(3) of this chapter on one (1) or more payments of**
 33 **property taxes first due and payable in a calendar year is the**
 34 **amount, as determined by the board, of revenue shortfall for**
 35 **the qualifying taxing unit that results from the default for that**
 36 **calendar year.**

37 **(5) The total amount of all loans under this chapter for all**
 38 **calendar years may not exceed thirteen million dollars**
 39 **(\$13,000,000).**

40 **(b) The board may disburse in installments the proceeds of a**
 41 **loan made under this chapter.**

42 **(c) A qualified taxing unit may repay a loan made under this**

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chapter from any of the following:

(1) Property tax revenues of the qualified taxing unit that are subject to the levy limitations imposed by IC 6-1.1-18.5 or IC 6-1.1-19.

(2) Property tax revenues of the qualified taxing unit that are not subject to levy limitations as provided in IC 6-1.1-18.5-21 or IC 6-1.1-19-13.

(3) The qualified taxing unit's debt service fund.

(4) Any other source of revenues (other than property taxes) that is legally available to the qualified taxing unit.

The payment of any installment on a loan made under this chapter constitutes a first charge against the property tax revenues described in subdivision (1) or (2) that are collected by the qualified taxing unit during the calendar year the installment is due and payable.

(d) The obligation to repay a loan made under this chapter is not a basis for the qualified taxing unit to obtain an excessive tax levy under IC 6-1.1-18.5 or IC 6-1.1-19.

(e) Whenever the board receives a payment on a loan made under this chapter, the board shall deposit the amount paid in the counter-cyclical revenue and economic stabilization fund.

Sec. 4. (a) As used in this section, "delinquent tax" means any tax not paid during the calendar year in which the tax was first due and payable.

(b) Except as provided in subsection (c), the following are not considered to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the levy excess under IC 6-1.1-18.5-17 and IC 6-1.1-19-1.7:

(1) The proceeds of a loan received by the qualified taxing unit under this chapter.

(2) The receipt by a qualified taxing unit of any payment of delinquent tax owed by a qualified taxpayer.

(c) Delinquent tax owed by a qualified taxpayer received by a qualified taxing unit:

(1) must first be used toward the retirement of an outstanding loan made under this chapter; and

(2) is considered, only to the extent that the amount received exceeds the amount of the outstanding loan, to be part of the ad valorem property tax levy actually collected by the qualified taxing unit for taxes first due and payable during a particular calendar year for the purpose of calculating the

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levy excess under IC 6-1.1-18.5-17 and IC 6-1.1-19-1.7.

(d) If a qualified taxpayer pays delinquent tax during the term of repayment of an outstanding loan made under this chapter, the remaining loan balance is repayable in equal installments over the remainder of the original term of repayment.

(e) Proceeds of a loan made under this chapter may be expended by a qualified taxing unit only to pay obligations of the qualified taxing unit that have been incurred under appropriations for operating expenses made by the qualified taxing unit and approved by the department of local government finance.

Sec. 5. A loan under this chapter is not bonded indebtedness for purposes of IC 6-1.1-18.5.

SECTION 4. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Local Government, to which was referred House Bill 1124, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

HINKLE, Chair

Committee Vote: yeas 9, nays 0.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1124, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, between lines 35 and 36, begin a new line block indented and insert:

"(5) The total amount of all loans under this chapter for all calendar years may not exceed thirteen million dollars (\$13,000,000)."

and when so amended that said bill do pass.

(Reference is to HB 1124 as printed January 20, 2006.)

ESPICH, Chair

Committee Vote: yeas 18, nays 0.

COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred House Bill No. 1124, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

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Page 2, line 22, after "board" insert ", **after review by the budget committee,**".

and when so amended that said bill do pass.

(Reference is to HB 1124 as printed January 27, 2006.)

KENLEY, Chairperson

Committee Vote: Yeas 11, Nays 0.

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